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& COMPANY, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF FREEBURG, ILLINOIS

FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED
MARCH 31, 2018

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VILLAGE OF FREEBURG, ILLINOIS

TABLE OF CONTENTS
MARCH 31, 2018

	<u>Page</u>
Independent Auditor's Report	1 - 3
Management's Discussion and Analysis	4 - 12
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	13
Statement of Activities	14
Fund Financial Statements:	
Statement of Assets, Liabilities and Fund Balances Arising From Modified Cash Basis Transactions - Governmental Funds	15
Reconciliation of the Statement of Assets, Liabilities and Fund Balances Arising From Modified Cash Basis Transactions to the Statement of Net Position	16
Statement of Revenues and Expenditures Arising From Modified Cash Basis Transactions - Governmental Funds	17
Reconciliation of the Statement of Revenues and Expenditures Arising From Modified Cash Basis Transactions to the Statement of Activities	18
Statement of Net Position – Proprietary Funds	19
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Funds	20
Statement of Cash Flows – Proprietary Funds	21 – 22
Notes to Financial Statements	23 – 40
Required Supplementary Information/Other Information:	
Budgetary Comparison Schedule (Modified Cash Basis):	
General Fund	41
Schedule of Changes in Net Pension Liability and Related Ratios	42
Schedule of Contributions	43
Other Supplementary Information:	
Combining Fund Financial Statements:	
Combining Balance Sheet – Nonmajor Special Revenue Governmental Funds	44
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Special Revenue Governmental Funds	45
Independent Auditor's Report on Compliance with Tax Increment Financing Act	46 – 47

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and Board
of Trustees of the Village of
Freeburg, Illinois:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Freeburg, Illinois as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the governmental funds financial statements in accordance with the modified cash basis of accounting as described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the presentation of the governmental fund financial statements in the circumstances. Management is also responsible for the preparation and fair presentation of the business-type and proprietary fund financial statements in accordance with accounting principles generally accepted in the United States of America. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities (modified cash basis), the business-type activities (accrual basis), each major fund and the aggregate remaining fund information of the Village of Freeburg, Illinois, as of March 31, 2018, and the respective changes in financial position and, where applicable, cash flows (Governmental activities - modified cash basis, Business-type activities – accrual basis) thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America, except for the Village's Proprietary Funds, which have been prepared on the accrual basis of accounting. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information/Other Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 to 12, the budgetary comparison information on page 41, and the schedules of pension funding information on pages 42-43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Freeburg, Illinois' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

C. J. Schlone & Co. LLC

Certified Public Accountants
Alton, Illinois

September 17, 2018

VILLAGE OF FREEBURG, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Village of Freeburg, Illinois' (Village) annual audit presents a management's discussion and analysis of the Village's financial activity during the fiscal year ended March 31, 2018. The Management's Discussion and Analysis (MD&A) is designed to focus on current activities, resulting changes and currently known facts and should be read in conjunction with the basic financial statements and footnotes. Responsibility for the completeness and fairness of this information rests with the Village.

OVERVIEW OF THE FINANCIAL STATEMENTS

This Management's Discussion and Analysis is intended to serve as an introduction to the Village's basic financial statements. There are three components to the basic financial statements:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

This report also contains required supplementary information/other information in addition to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, in a manner similar to a private-sector business. The government-wide financial statements exclude any fiduciary fund activities.

The government-wide financial statements distinguish functions of the Village that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Village include general government, public safety, highways and streets, sanitation and development. The business-type activities include water, sewer, electric light and power, and swimming pool.

The statement of net position presents information on all of the Village's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating.

The statement of activities presents information showing how the Village's net position changed during the most recent fiscal year. Changes in net position are reported on the modified cash basis of accounting for the governmental activities and the accrual basis of accounting for the business-type activities.

VILLAGE OF FREEBURG, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS

FUND FINANCIAL STATEMENTS

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Village, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Village can be divided into two categories: governmental and proprietary.

Governmental Funds. Governmental funds are used to account for essential functions reported as governmental activities in the government-wide financial statements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Village's near-term financial decisions. Both the governmental fund statement of assets, liabilities and fund balances arising from modified cash basis transactions and the governmental fund statement of revenues and expenditures arising from modified cash basis transactions provide a reconciliation to facilitate this comparison between the governmental funds and the government-wide governmental activities.

The Village maintains four individual governmental funds. Information is presented separately in the governmental funds statement of assets, liabilities and fund balances arising from modified cash basis transactions and in the governmental fund statement of revenues and expenditures arising from modified cash basis transactions for the major fund: General Fund. Data for the other nonmajor governmental funds are combined in the supplementary information and reported in total in a separate column.

The Village adopts an annual budget for all governmental funds. A budgetary comparison schedule for the General Fund has been provided to demonstrate legal compliance with the adopted budget.

Proprietary funds. Enterprise funds are used to report the same functions and the same type of information presented as business-type activities in the government-wide financial statements. The Village uses an enterprise fund to account for its water, sewer, electric light and power, and swimming pool operations.

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required supplementary information/Other Information. The Village reports budgetary comparison and retirement funding progress related to IMRF as required supplementary information/other information following the notes to the financial statements.

Other supplementary information. The combining fund statements, referred to earlier in connection with non-major governmental funds, are presented immediately following the required supplementary information.

VILLAGE OF FREEBURG, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS

Basis of accounting. The Village presents its financial statements for the governmental funds on the modified cash basis of accounting. The modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to when financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the Village's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions, except for the recording of depreciation expense related to capital assets in the government-wide financial statements for all activities.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for unbilled or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for good or services received but not yet paid, and accrued expenses and liabilities) are not recorded in the financial statements for the governmental funds. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The Village has presented its financial statements under the reporting model pursuant to Governmental Accounting Standards Board Statement No. 34 (GASB 34), *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Village, assets exceeded liabilities by \$10,437,284 at the close of the most recent fiscal year.

The largest portion of the Village's net position reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure), less any related debt used to acquire those assets that is still outstanding. The Village uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the Village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

VILLAGE OF FREEBURG, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS

The condensed statement of net position is as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>March 31,</u> <u>2018</u>	<u>March 31,</u> <u>2017</u>	<u>March 31,</u> <u>2018</u>	<u>March 31,</u> <u>2017</u>	<u>March 31,</u> <u>2018</u>	<u>March 31,</u> <u>2017</u>
Current and other assets	\$ 1,776,390	\$ 1,575,905	\$ 4,280,537	\$ 4,363,906	\$ 6,056,927	\$ 5,939,811
Capital assets	<u>1,171,151</u>	<u>1,187,052</u>	<u>10,635,187</u>	<u>11,198,103</u>	<u>11,806,338</u>	<u>12,385,155</u>
Total assets	<u>2,947,541</u>	<u>2,762,957</u>	<u>14,915,724</u>	<u>15,562,009</u>	<u>17,863,265</u>	<u>18,324,966</u>
Long-term liabilities						
outstanding	1,411,019	1,547,000	5,153,238	5,463,198	6,564,257	7,010,198
Other liabilities	<u>6,079</u>	<u>8,131</u>	<u>855,645</u>	<u>915,492</u>	<u>861,724</u>	<u>923,623</u>
Total liabilities	<u>1,417,098</u>	<u>1,555,131</u>	<u>6,008,883</u>	<u>6,378,690</u>	<u>7,425,981</u>	<u>7,933,821</u>
Net position:						
Net invested in capital assets	1,138,166	1,120,052	5,137,658	5,761,956	6,275,824	6,882,008
Restricted	876,528	820,203	-	-	876,528	820,203
Unrestricted	<u>(484,251)</u>	<u>(732,429)</u>	<u>3,769,183</u>	<u>3,421,363</u>	<u>3,284,932</u>	<u>2,688,934</u>
Total net position	<u>\$ 1,530,443</u>	<u>\$ 1,207,826</u>	<u>\$ 8,906,841</u>	<u>\$ 9,183,319</u>	<u>\$ 10,437,284</u>	<u>\$ 10,391,145</u>

Total net position increased \$46,139 resulting in a balance of \$10,437,284 as of March 31, 2018. Current assets, which include cash, investments and accounts receivable, increased \$117,116. Non-current assets decreased \$578,817, due to current year depreciation being in excess of asset additions. Total liabilities decreased \$507,840 resulting in a balance of \$7,425,981 as of March 31, 2018. Outstanding debt, including long-term and short-term portions, decreased \$445,941 due to regular debt retirements and the lower net pension obligation related to IMRF.

The change in net position is further examined in the Analysis of Net Position section of the MD&A.

ANALYSIS OF NET POSITION

<u>Analysis of Net Position</u>	<u>2018</u>		<u>2017</u>	
	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>
Net investment in capital assets	60.1%	\$ 6,275,824	66.2%	\$ 6,882,008
Restricted	8.4%	876,528	7.9%	820,203
Unrestricted	<u>31.5%</u>	<u>3,284,932</u>	<u>25.9%</u>	<u>2,688,934</u>
Total net position	<u>100.0%</u>	<u>\$ 10,437,284</u>	<u>100.0%</u>	<u>\$ 10,391,145</u>

Total net position balances increased by \$46,139 in fiscal year 2018 to a total ending balance of \$10,437,284. Capital net position balances decreased by \$606,184 in the current year due to depreciation exceeding capital additions. The unrestricted net position balances changed by the net income of the related operating activities.

VILLAGE OF FREEBURG, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS

The revenue and expenditure comparisons that comprise the current year increase follow.

GOVERNMENTAL ACTIVITIES

<u>Revenues/Receipts</u>	<u>2018</u>	<u>2017</u>
Property tax	\$ 741,280	\$ 708,857
Sales and use tax	525,926	504,150
State income tax	424,228	461,593
Replacement tax	5,463	5,881
Video gaming tax	40,298	3,552
Charges for services	335,704	338,699
Telecommunications tax	92,640	105,005
Motor fuel tax	110,259	110,979
Utility tax	254,645	245,637
Investment income	12,158	11,530
Operating grants	19,952	10,938
Capital grants	-	18,498
Gain on disposal of assets	45,986	1,009
Miscellaneous	18,350	40,125
Total revenues	<u>\$2,626,889</u>	<u>\$2,566,453</u>

Total revenues for the governmental activities increased \$60,436 for the year ended March 31, 2018. The increase is mainly due to having higher gaming taxes for the first full year as well as an increase in property taxes and the proceeds from the sale of property.

<u>Expenditures by category</u>	<u>2018</u>		<u>2017</u>	
	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>
General government	11.2%	\$ 249,057	11.9%	\$ 261,436
Public safety	52.6%	1,173,866	53.6%	1,180,917
Highways and streets	23.3%	520,374	22.6%	497,784
Development	0.5%	11,361	0.0%	-
Sanitation	10.6%	236,890	10.3%	226,593
Interest on long-term debt	1.7%	38,693	1.7%	38,024
Total expenditures	<u>100.0%</u>	<u>\$2,230,241</u>	<u>100.0%</u>	<u>\$2,204,754</u>

The Village reported an increase in expenses for governmental activities of \$25,487. The MFT fund had significantly higher expenditures in the current year. Public safety reported the highest expenditure category with 53% of all governmental expenditures.

VILLAGE OF FREEBURG, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS

The above expenditure categories include amounts for depreciation expense on assets purchased in the current and prior years. The breakdown by category is as follows:

	<u>2018</u>	<u>2017</u>
General government	\$ 31,169	\$ 31,387
Public safety	52,376	45,164
Highways and streets	35,574	30,711
Sanitation	<u>10,080</u>	<u>10,080</u>
Total depreciation	<u>\$ 129,199</u>	<u>\$ 117,342</u>

Total capital outlay expenditures in the governmental fund financial statements for the current year totaled \$113,298.

BUSINESS-TYPE ACTIVITIES

<u>Revenues</u>	<u>2018</u>	<u>2017</u>
Water charges	\$ 918,130	\$ 868,823
Sewer charges	704,472	539,624
Electric charges	5,166,996	5,001,844
Swimming pool charges	83,755	77,734
Property taxes	55,704	56,687
Loss on disposal of assets	-	(14,827)
Investment income	<u>66,448</u>	<u>67,949</u>
Total revenues	<u>\$6,995,505</u>	<u>\$6,597,834</u>

Total revenues for the business-type activities increased \$397,671 for the year ended March 31, 2018. The Village had general increases in all charges for services in the current year.

<u>Operating Expenditures</u>	<u>2018</u>		<u>2017</u>	
	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>
Personal services	20.9%	\$1,510,498	19.1%	\$1,305,019
Contractual services	9.5%	686,402	9.9%	672,443
Electricity and water purchase	50.7%	3,661,002	51.4%	3,502,885
Supplies and materials	3.5%	256,104	3.7%	250,687
Heat, light and power	0.5%	35,006	0.5%	31,702
Depreciation	14.9%	1,073,269	15.5%	1,057,870
Total expenditures	<u>100.0%</u>	<u>\$7,222,281</u>	<u>100.0%</u>	<u>\$6,820,606</u>

Expenses in the business-type activities increased in total by \$401,675. As in the prior year, the largest categories of operating expense were for electricity and water purchases which increased \$158,117 in the current year. Personal services also increased due to the large increase in the current year for the IMRF liability that was considerably lower in the prior year.

VILLAGE OF FREEBURG, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS

FUNDS FINANCIAL ANALYSIS

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Village's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Village's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the 2018, the Village's governmental funds reported combined ending fund balances of \$1,674,866, an increase of \$202,252 in comparison with the prior year. A large portion of this balance constitutes unreserved, undesignated fund balance, which is available for spending at the Village's discretion. However, \$781,083 (TIF Fund and Special Revenue Funds) has been restricted for future debt payments and other restricted expenditures.

The General Fund is the chief operating fund of the Village. At the end of the current fiscal year, the unreserved fund balance of the General Fund was \$893,783. This balance increased \$146,212 in the current year.

The TIF Fund increased \$33,076 in the current year for a fund balance of \$466,466. The Motor Fuel Tax Fund reported an increase of \$22,634 for an ending balance of \$285,909. The Impact Fees Fund reported an increase of \$330 in the current year for a fund balance of \$28,708.

Proprietary fund. The Village's proprietary funds provide the same information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Waterworks, Sewer, Electric Light and Power, and Swimming Pool funds at the end of the year amounted to \$3,769,183, an increase of \$347,820 in comparison with prior year. Other factors concerning the finances of this fund have already been addressed in the discussion of the Village's government-wide financial statements.

BUDGETARY HIGHLIGHTS

A comparison of budget and actual expenditures for the General Fund is as follows:

	<u>Budget</u>	<u>Actual</u>
General Fund	\$ 2,241,432	\$ 2,075,172

The budget was passed on March 20, 2017.

VILLAGE OF FREEBURG, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>March 31, 2018</u>	<u>March 31, 2017</u>	<u>March 31, 2018</u>	<u>March 31, 2017</u>	<u>March 31, 2018</u>	<u>March 31, 2017</u>
Land	\$ 83,840	\$ 83,840	\$ 426,700	\$ 426,700	\$ 510,540	\$ 510,540
Buildings and Improvements	657,805	657,805	7,410,177	7,365,738	8,067,982	8,023,543
Swimming Pool	-	-	1,099,984	1,099,984	1,099,984	1,099,984
Infrastructure	599,022	593,847	-	-	599,022	593,847
Distribution and Collection Systems	-	-	15,334,713	15,090,199	15,334,713	15,090,199
Vehicles and Equipment	927,758	870,201	2,655,786	2,474,523	3,583,544	3,344,724
	<u>\$ 2,268,425</u>	<u>\$ 2,205,693</u>	<u>\$ 26,927,360</u>	<u>\$ 26,457,144</u>	<u>\$ 29,195,785</u>	<u>\$ 28,662,837</u>

The Village's investment in capital assets for its governmental and business-type activities as of March 31, 2018 amounts to \$11,806,338, net of accumulated depreciation. This investment in capital assets includes land, buildings and improvements, equipment, vehicles and infrastructure. The total outlay for capital assets for the current year was \$623,651. The largest additions in the current year were for the North State Street sewer extension, electrical line additions, three vehicles, and a compact excavator. These additions were offset by current year depreciation expense of \$1,202,468, thereby resulting in a net decrease in net capital assets for the current year. Additional information related to capital assets can be found in Note 4 of the financial statements.

Long-term Debt

At the end of 2018, the Village had total long-term debt obligations for governmental activities and business-type activities in the amount of \$1,411,019 and \$5,063,242, respectively, compared to \$1,547,000 and \$5,001,860 at the end of 2017.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>March 31, 2018</u>	<u>March 31, 2017</u>	<u>March 31, 2018</u>	<u>March 31, 2017</u>	<u>March 31, 2018</u>	<u>March 31, 2017</u>
Loans Payable	\$ -	\$ -	\$ 1,621,169	\$ 1,208,883	\$ 1,621,169	\$ 1,208,883
Notes Payable	70,119	67,000	160,373	162,977	230,492	229,977
Capital Leases	10,900	-	16,700	-	27,600	-
Bonds Payable	1,330,000	1,480,000	3,265,000	3,630,000	4,595,000	5,110,000
Total Debt	<u>\$ 1,411,019</u>	<u>\$ 1,547,000</u>	<u>\$ 5,063,242</u>	<u>\$ 5,001,860</u>	<u>\$ 6,474,261</u>	<u>\$ 6,548,860</u>

The governmental activities reported decreases in long-term debt of \$135,981. The business-type activities reported an increase in long-term debt of \$61,382. Overall, the decrease in debt was \$74,599. Additional information related to long-term debt can be found in Note 6 of the financial statements.

VILLAGE OF FREEBURG, ILLINOIS
MANAGEMENT'S DISCUSSION AND ANALYSIS

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Village of Freeburg's finances for all those with an interest in the Village's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Village Clerk's Office, 14 Southgate Center, Freeburg, IL 62243.

VILLAGE OF FREEBURG, ILLINOIS

STATEMENT OF NET POSITION
(BUSINESS -TYPE ACTIVITIES - ACCRUAL BASIS)
(GOVERNMENTAL ACTIVITIES - MODIFIED CASH BASIS)
MARCH 31, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 1,589,036	\$ 1,440,691	\$ 3,029,727
Investments	187,354	2,154,579	2,341,933
Receivables (Net of allowance for uncollectible):	-	624,070	624,070
Escrow	-	12,000	12,000
Prepaid Expenses	-	49,197	49,197
Capital Assets:			
Land	83,840	426,700	510,540
Buildings and Improvements	657,805	7,410,177	8,067,982
Swimming Pool	-	1,099,984	1,099,984
Infrastructure	599,022	-	599,022
Distribution and Collection Systems	-	15,334,713	15,334,713
Vehicles and Equipment	924,758	2,655,786	3,580,544
Less: Accumulated Depreciation	<u>(1,094,274)</u>	<u>(16,292,173)</u>	<u>(17,386,447)</u>
Net Capital Assets	<u>1,171,151</u>	<u>10,635,187</u>	<u>11,806,338</u>
Total Assets	<u>\$ 2,947,541</u>	<u>\$ 14,915,724</u>	<u>\$ 17,863,265</u>
<u>Liabilities</u>			
Accounts Payable	\$ 6,079	\$ 287,356	\$ 293,435
Accrued Salaries	-	34,403	34,403
Accrued Interest	-	28,873	28,873
Customer Deposits	-	155,889	155,889
Noncurrent Liabilities:			
Due Within One Year	184,488	518,784	703,272
Due In More Than One Year	<u>1,226,531</u>	<u>4,634,454</u>	<u>5,860,985</u>
Total Liabilities	<u>1,417,098</u>	<u>5,659,759</u>	<u>7,076,857</u>
<u>Deferred Inflows of Resources</u>			
Future Pension Expense	<u>\$ -</u>	<u>\$ 349,124</u>	<u>\$ 349,124</u>
<u>Net Position</u>			
Net Investment in Capital Assets	1,138,166	5,137,658	6,275,824
Restricted	876,528	-	876,528
Unrestricted	<u>(484,251)</u>	<u>3,769,183</u>	<u>3,284,932</u>
Total Net Position	<u>\$ 1,530,443</u>	<u>\$ 8,906,841</u>	<u>\$ 10,437,284</u>

The notes to the financial statements are an integral part of this statement

VILLAGE OF FREEBURG, ILLINOIS

STATEMENT OF ACTIVITIES
(BUSINESS -TYPE ACTIVITIES - ACCRUAL BASIS)
(GOVERNMENTAL ACTIVITIES - MODIFIED CASH BASIS)
FOR THE YEAR ENDED MARCH 31, 2018

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General Government	\$ 249,057	\$ 69,366	\$ -	\$ -	\$ (179,691)		\$ (179,691)
Public Safety:							
Police	1,166,362	12,120	18,838	-	(1,135,404)		(1,135,404)
Civil Defense	7,504	-	-	-	(7,504)		(7,504)
Highways and Streets	520,374	-	1,114	-	(519,260)		(519,260)
Development	11,361	-	-	-	(11,361)		(11,361)
Sanitation	236,890	254,218	-	-	17,328		17,328
Interest on Long-Term Debt	38,693	-	-	-	(38,693)		(38,693)
Total Governmental Activities	<u>2,230,241</u>	<u>335,704</u>	<u>19,952</u>	<u>-</u>	<u>(1,874,585)</u>		<u>(1,874,585)</u>
Business-type Activities:							
Electric Light and Power	5,398,369	5,166,996	-	-		\$ (231,373)	\$ (231,373)
Waterworks	1,145,749	918,130	-	-		(227,619)	(227,619)
Sewer	628,946	712,911	-	-		83,965	83,965
Swimming Pool	181,389	83,755	-	-		(97,634)	(97,634)
Total Business-type Activities	<u>7,354,453</u>	<u>6,881,792</u>	<u>-</u>	<u>-</u>		<u>(472,661)</u>	<u>(472,661)</u>
Total Government	<u>\$ 9,584,694</u>	<u>\$ 7,217,496</u>	<u>\$ 19,952</u>	<u>\$ -</u>	<u>(1,874,585)</u>	<u>(472,661)</u>	<u>(2,347,246)</u>
General Revenues:							
Property Tax, Levied for General Purposes					741,280	55,704	796,984
Sales and Use Tax					525,926	-	525,926
Replacement Tax					5,463	-	5,463
State Income Tax					424,228	-	424,228
Telecommunications Tax					92,640	-	92,640
Motor Fuel Tax					110,259	-	110,259
Video Gaming Tax					40,298	-	40,298
Utility Tax					254,645	-	254,645
Unrestricted Investment Earnings					12,158	66,448	78,606
Miscellaneous					18,350	-	18,350
Proceeds from Disposal of Capital Assets					45,986	-	45,986
Transfers					(74,031)	74,031	-
Total General Revenues					<u>2,197,202</u>	<u>196,183</u>	<u>2,393,385</u>
Change in Net Position					<u>322,617</u>	<u>(276,478)</u>	<u>46,139</u>
Net Position - Beginning					<u>1,207,826</u>	<u>9,183,319</u>	<u>10,391,145</u>
Net Position - Ending					<u>\$ 1,530,443</u>	<u>\$ 8,906,841</u>	<u>\$ 10,437,284</u>

The notes to the financial statements are an integral part of this statement

VILLAGE OF FREEBURG, ILLINOIS

STATEMENT OF ASSETS, LIABILITIES AND
FUND BALANCE ARISING FROM MODIFIED CASH BASIS TRANSACTIONS
GOVERNMENTAL FUNDS
MARCH 31, 2018

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<u>Assets</u>			
Cash and Cash Equivalents	\$ 858,825	\$ 634,766	\$ 1,493,591
Investments	41,037	146,317	187,354
Total Assets	<u>\$ 899,862</u>	<u>\$ 781,083</u>	<u>\$ 1,680,945</u>
<u>Liabilities and Fund Balance</u>			
Liabilities:			
Accounts Payable	\$ 6,079	\$ -	\$ 6,079
Total Liabilities	<u>6,079</u>	<u>-</u>	<u>6,079</u>
Fund Balance:			
Restricted	-	781,083	781,083
Unassigned	893,783	-	893,783
Total Fund Balance	<u>893,783</u>	<u>781,083</u>	<u>1,674,866</u>
Total Liabilities and Fund Balance	<u>\$ 899,862</u>	<u>\$ 781,083</u>	<u>\$ 1,680,945</u>

The notes to the financial statements are an integral part of this statement

VILLAGE OF FREEBURG, ILLINOIS

RECONCILIATION OF THE STATEMENT OF ASSETS,
LIABILITIES AND FUND BALANCES ARISING FROM MODIFIED
CASH BASIS TRANSACTIONS TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED MARCH 31, 2018

Amounts reported for governmental fund balances are different because:

Fund balances - total governmental funds	\$ 1,674,866
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported on the balance sheet of the governmental funds.	1,171,151
Long-term debt (e.g., bonds, leases) is not reported as a liability on the balance sheet of the governmental funds.	(1,411,019)
Internal service funds are included in the statement of net position in the government wide financial statements as these funds benefit the general government as a whole.	<u>95,445</u>
Net position of governmental activities	<u>\$ 1,530,443</u>

The notes to the financial statements are an integral part of this statement

VILLAGE OF FREEBURG, ILLINOIS

STATEMENT OF REVENUES AND EXPENDITURES
ARISING FROM MODIFIED CASH BASIS TRANSACTIONS
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2018

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Property Tax	\$ 510,892	\$ 230,388	\$ 741,280
Utility Tax	254,645	-	254,645
Intergovernmental:			
Replacement Tax	5,463	-	5,463
Sales Tax	413,303	-	413,303
State Income Tax	424,228	-	424,228
Local Use Tax	112,623	-	112,623
Telecommunications Tax	92,640	-	92,640
Motor Fuel Tax	-	110,259	110,259
Video Gaming Tax	40,298	-	40,298
Franchise Fees	25,030	-	25,030
Licenses and Permits	44,336	-	44,336
Fines and Penalties	12,120	-	12,120
Garbage Collection	254,218	-	254,218
Investment Earnings	6,331	5,542	11,873
Miscellaneous	<u>38,302</u>	<u>-</u>	<u>38,302</u>
Total Revenues	<u>2,234,429</u>	<u>346,189</u>	<u>2,580,618</u>
Expenditures:			
Current:			
General Government	217,888	-	217,888
Public Safety:			
Police	1,115,990	-	1,115,990
Civil Defense	5,500	-	5,500
Highways and Streets	392,837	91,963	484,800
Development	-	11,361	11,361
Sanitation	226,810	-	226,810
Debt Service:			
Principal	18,966	150,000	168,966
Interest and Charges	1,868	36,825	38,693
Capital Outlay	<u>113,298</u>	<u>-</u>	<u>113,298</u>
Total Expenditures	<u>2,093,157</u>	<u>290,149</u>	<u>2,383,306</u>
Excess of Revenues Over Expenditures	<u>141,272</u>	<u>56,040</u>	<u>197,312</u>
Other Financing Sources (Uses):			
Proceeds from Fixed Asset Sales	45,986	-	45,986
Proceeds from Loan	32,985	-	32,985
Operating Transfers	<u>(74,031)</u>	<u>-</u>	<u>(74,031)</u>
Total Other Financing Sources (Uses)	<u>4,940</u>	<u>-</u>	<u>4,940</u>
Excess of Revenues and Other			
Financing Sources Over Expenditures	<u>146,212</u>	<u>56,040</u>	<u>202,252</u>
Fund Balance, Beginning of Year	<u>747,571</u>	<u>725,043</u>	<u>1,472,614</u>
Fund Balance, End of Year	<u>\$ 893,783</u>	<u>\$ 781,083</u>	<u>\$ 1,674,866</u>

The notes to the financial statements are an integral part of this statement

VILLAGE OF FREEBURG, ILLINOIS

RECONCILIATION OF THE STATEMENT OF REVENUES AND
EXPENDITURES ARISING FROM MODIFIED CASH BASIS
TRANSACTIONS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2018

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds \$ 202,252

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$129,199) exceeded capital outlay (\$113,298) in the current year. (15,901)

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of those differences in the treatment of long-term debt and related items. 135,981

Activity related to the internal service funds are included in the statement of net position in the government wide financial statements as these funds benefit the general government as a whole. 285

Change in net position of governmental activities \$ 322,617

The notes to the financial statements are an integral part of this statement

VILLAGE OF FREEBURG, ILLINOIS

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 MARCH 31, 2018

	Major Funds					Governmental Activities - Internal Service Fund
	Electric Light and Power	Waterworks	Sewer	Swimming Pool	Total	
<u>Assets</u>						
Current Assets:						
Cash and Cash Equivalents	\$ 799,674	\$ 366,451	\$ 273,890	\$ 676	\$ 1,440,691	\$ 95,445
Investments	1,698,712	320,203	135,664	-	2,154,579	-
Receivables:						
Customers	251,351	43,767	39,103	-	334,221	-
Unbilled Revenue	210,301	37,465	32,149	-	279,915	-
Other	9,934	-	-	-	9,934	-
Escrow	-	-	12,000	-	12,000	-
Prepaid Insurance	41,615	3,598	3,984	-	49,197	-
Total Current Assets	<u>3,011,587</u>	<u>771,484</u>	<u>496,790</u>	<u>676</u>	<u>4,280,537</u>	<u>95,445</u>
Capital Assets:						
Land	211,375	50,094	158,981	6,250	426,700	-
Buildings and Improvements	6,225,144	-	989,001	196,032	7,410,177	-
Swimming Pool	-	-	-	1,099,984	1,099,984	-
Distribution and Collection Systems	8,097,187	4,063,567	3,173,959	-	15,334,713	-
Vehicles and Equipment	1,403,706	676,073	454,991	121,016	2,655,786	-
	15,937,412	4,789,734	4,776,932	1,423,282	26,927,360	-
Less - Accumulated Depreciation	10,277,412	3,621,825	1,846,153	546,783	16,292,173	-
Net Capital Assets	<u>5,660,000</u>	<u>1,167,909</u>	<u>2,930,779</u>	<u>876,499</u>	<u>10,635,187</u>	<u>-</u>
Total Assets	<u>\$ 8,671,587</u>	<u>\$ 1,939,393</u>	<u>\$ 3,427,569</u>	<u>\$ 877,175</u>	<u>\$ 14,915,724</u>	<u>\$ 95,445</u>
<u>Liabilities</u>						
Current Liabilities:						
Accounts Payable	\$ 250,974	\$ 31,658	\$ 4,249	\$ 475	\$ 287,356	\$ -
Accrued Salaries	19,767	8,337	6,299	-	34,403	-
Accrued Interest	22,971	-	-	5,902	28,873	-
Current Portion of Long Term Debt	363,129	28,536	92,119	35,000	518,784	-
Customer Deposits	89,448	38,775	27,666	-	155,889	-
Total Current Liabilities	<u>746,289</u>	<u>107,306</u>	<u>130,333</u>	<u>41,377</u>	<u>1,025,305</u>	<u>-</u>
Noncurrent Liabilities:						
Net Pension Liability	50,234	22,538	17,224	-	89,996	-
Long Term Debt (Net of Current)	2,624,688	25,171	1,549,599	345,000	4,544,458	-
Total Noncurrent Liabilities	<u>2,674,922</u>	<u>47,709</u>	<u>1,566,823</u>	<u>345,000</u>	<u>4,634,454</u>	<u>-</u>
Total Liabilities	<u>3,421,211</u>	<u>155,015</u>	<u>1,697,156</u>	<u>386,377</u>	<u>5,659,759</u>	<u>-</u>
<u>Deferred Inflows of Resources</u>						
Future Pension Expense	\$ 194,875	\$ 87,431	\$ 66,818	\$ -	\$ 349,124	
<u>Net Position</u>						
Net Investment in Capital Assets	2,672,183	1,114,202	854,774	496,499	5,137,658	-
Committed	-	-	-	-	-	95,445
Unreserved	2,383,318	582,745	808,821	(5,701)	3,769,183	-
Total Net Position	<u>5,055,501</u>	<u>1,696,947</u>	<u>1,663,595</u>	<u>490,798</u>	<u>8,906,841</u>	<u>95,445</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 8,671,587</u>	<u>\$ 1,939,393</u>	<u>\$ 3,427,569</u>	<u>\$ 877,175</u>	<u>\$ 14,915,724</u>	<u>\$ 95,445</u>

The notes to the financial statements are an integral part of this statement

VILLAGE OF FREEBURG, ILLINOIS

STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED MARCH 31, 2018

	Major Funds				Total	Governmental Activities - Internal Service Fund
	Electric Light and Power	Waterworks	Sewer	Swimming Pool		
Operating Revenue:						
Charges for Services	\$ 5,094,842	\$ 874,226	\$ 704,472	\$ 63,281	\$ 6,736,821	\$ -
Connection Fees	12,030	8,540	8,250	-	28,820	-
Supplies Sold	8,355	19,558	-	20,474	48,387	-
Miscellaneous	51,769	15,806	189	-	67,764	-
Total Operating Revenue	<u>5,166,996</u>	<u>918,130</u>	<u>712,911</u>	<u>83,755</u>	<u>6,881,792</u>	<u>-</u>
Operating Expenses:						
Personal Services	778,907	372,939	300,245	58,407	1,510,498	-
Contractual Services and Other	496,466	83,422	102,016	4,498	686,402	-
Electricity and Water Purchased	3,260,711	400,291	-	-	3,661,002	-
Supplies and Materials	121,364	58,705	49,666	26,369	256,104	-
Heat, Light and Power	10,741	5,324	18,941	-	35,006	-
Depreciation	653,418	224,722	122,117	73,012	1,073,269	-
Total Operating Expenses	<u>5,321,607</u>	<u>1,145,403</u>	<u>592,985</u>	<u>162,286</u>	<u>7,222,281</u>	<u>-</u>
Operating Income (Loss)	<u>(154,611)</u>	<u>(227,273)</u>	<u>119,926</u>	<u>(78,531)</u>	<u>(340,489)</u>	<u>-</u>
Nonoperating Revenues (Expenses):						
Property Taxes	-	-	-	55,704	55,704	-
Interest Income	41,666	19,751	5,025	6	66,448	285
Interest Expense	(76,762)	(346)	(35,961)	(19,103)	(132,172)	-
Total Nonoperating Revenues (Expenses)	<u>(35,096)</u>	<u>19,405</u>	<u>(30,936)</u>	<u>36,607</u>	<u>(10,020)</u>	<u>285</u>
Operating Transfers	-	-	-	74,031	74,031	-
Change in Net Position	(189,707)	(207,868)	88,990	32,107	(276,478)	285
Net Position, Beginning of Year	<u>5,245,208</u>	<u>1,904,815</u>	<u>1,574,605</u>	<u>458,691</u>	<u>9,183,319</u>	<u>95,160</u>
Net Position, End of Year	<u>\$ 5,055,501</u>	<u>\$ 1,696,947</u>	<u>\$ 1,663,595</u>	<u>\$ 490,798</u>	<u>\$ 8,906,841</u>	<u>\$ 95,445</u>

The notes to the financial statements are an integral part of this statement

VILLAGE OF FREEBURG, ILLINOIS

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 FOR THE YEAR ENDED MARCH 31, 2018

	Major Funds					Governmental Activities - Internal Service Fund
	Electric Light and Power	Waterworks	Sewer	Swimming Pool	Total	
<u>Cash Flows from Operating Activities</u>						
Cash Received from Customers	\$ 5,109,787	\$ 918,456	\$ 712,398	\$ 83,755	\$ 6,824,396	\$ -
Cash Paid to Suppliers	(4,065,568)	(629,629)	(680,422)	(37,627)	(5,413,246)	-
Cash Payments to Employees for Services	(513,520)	(240,572)	(194,233)	(51,745)	(1,000,070)	-
Net Cash Provided (Used) By Operating Activities	<u>530,699</u>	<u>48,255</u>	<u>(162,257)</u>	<u>(5,617)</u>	<u>411,080</u>	<u>-</u>
<u>Cash Flows from Capital Financing Activities</u>						
Purchase of Fixed Assets	(44,478)	(98,185)	(310,242)	(57,450)	(510,355)	-
Proceeds from Debt	-	48,721	536,208	-	584,929	-
Principal Paid on Debt	(362,446)	(8,790)	(89,595)	(62,714)	(523,545)	-
Contributed Capital	-	-	-	15,545	-	-
Interest Paid on Debt	(78,298)	(346)	(35,961)	(19,499)	(134,104)	-
Net Cash Provided (Used) By Capital Financing Activities	<u>(485,222)</u>	<u>(58,600)</u>	<u>100,410</u>	<u>(124,118)</u>	<u>(583,075)</u>	<u>-</u>
<u>Cash Flows from Investing Activities</u>						
Purchase of Investment	(9,712)	(6,070)	(1,008)	-	(16,790)	-
Interest Income	41,666	19,751	5,025	6	66,448	285
Net Cash Provided By Investing Activities	<u>31,954</u>	<u>13,681</u>	<u>4,017</u>	<u>6</u>	<u>49,658</u>	<u>285</u>
<u>Cash Flows from Non-Capital Financing Activities</u>						
Payments From (To) Other Funds	(540)	-	-	74,031	73,491	-
Property Tax	-	-	-	55,704	55,704	-
Customer Deposits	(1,075)	(34)	(63)	-	(1,172)	-
Net Cash Provided By Non-Capital Financing Activities	<u>(1,615)</u>	<u>(34)</u>	<u>(63)</u>	<u>129,735</u>	<u>128,023</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	75,816	3,302	(57,893)	6	5,686	285
Cash and Cash Equivalents, Beginning of Year	<u>723,858</u>	<u>363,149</u>	<u>331,783</u>	<u>670</u>	<u>1,419,460</u>	<u>95,160</u>
Cash and Cash Equivalents, End of Year	<u>\$ 799,674</u>	<u>\$ 366,451</u>	<u>\$ 273,890</u>	<u>\$ 676</u>	<u>\$ 1,425,146</u>	<u>\$ 95,445</u>

The notes to the financial statements are an integral part of this statement

VILLAGE OF FREEBURG, ILLINOIS

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 RECONCILIATION OF OPERATING INCOME (LOSS) TO NET
 CASH PROVIDED BY OPERATING ACTIVITIES
 FOR THE YEAR ENDED MARCH 31, 2018

	Major Funds					Governmental Activities - Internal Service Fund
	Electric Light and Power	Waterworks	Sewer	Swimming Pool	Total	
Operating Income (Loss)	\$ (154,611)	\$ (227,273)	\$ 119,926	\$ (78,531)	\$ (340,489)	\$ -
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:						
Depreciation	653,418	224,722	122,117	73,012	1,073,269	-
Decrease (Increase) in:						
Accounts Receivable	(46,757)	(1,415)	(1,725)	-	(49,897)	-
Other Receivables	(8,519)	-	-	-	(8,519)	-
Unbilled Revenue	(1,933)	1,741	1,212	-	1,020	-
Prepaid Insurance	(1,851)	35	(295)	-	(2,111)	-
Future Pension Expense	293,351	124,118	97,547	-	515,016	-
Increase (Decrease) in:						
Accounts Payable	19,779	5,226	(432,096)	(98)	(407,189)	-
Net Pension Liability	(223,622)	(79,487)	(68,233)	-	(371,342)	-
Accrued Salaries	1,444	588	(710)	-	1,322	-
Net Cash Provided (Used) by Operating Activities	<u>\$ 530,699</u>	<u>\$ 48,255</u>	<u>\$ (162,257)</u>	<u>\$ (5,617)</u>	<u>\$ 411,080</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement

VILLAGE OF FREEBURG, ILLINOIS

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Freeburg, Illinois have been prepared in conformity with the modified cash basis of accounting for the Governmental Fund Types and the accrual basis of accounting for the Proprietary Fund Types as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

(a) Financial reporting entity

The Village's combined financial statements include the accounts of all Village operations. The criteria for including organizations as component units within the Village's reporting entity, as set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards, include whether:

- the organization is legally separate (can sue and be sued in their own name)
- the Village holds the corporate powers of the organization
- the Village appoints a voting majority of the organization's board
- the Village is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the Village
- there is fiscal dependency by the organization on the Village

The Village has determined that no other outside agency meets the above criteria and therefore, no other agency has been included as a component unit in the Village's financial statements. In addition, the Village is not aware of any entity that would exercise such oversight, which would result in the Village being considered a component unit of the entity.

(b) Government-wide and fund financial statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

VILLAGE OF FREEBURG, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items, properly not included among program revenues, are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(c) Measurement focus, basis of accounting and financial statement presentation

The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified cash basis of accounting. Accordingly, receipts are recorded when cash is received and disbursements are recorded when checks are written. Only assets representing a right to receive cash arising from a previous payment of cash are recorded as assets of a fund. In the same manner, only liabilities resulting from previous cash transactions are recorded as liabilities of a particular fund. Property taxes are recognized as revenues in the year for which they are received.

The government-wide financial statements are reported using the same basis of accounting as used by the individual funds in the fund financial statements.

The government reports the following major governmental fund:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Village reports the following major proprietary funds:

The Water Fund and the Sewer Fund accounts for all activities related to the billing, administration, distribution and collection processes of the water and sewer utilities. The Village operates the water distribution system as well as the sewage treatment plant, sewage pumping stations and collection systems.

VILLAGE OF FREEBURG, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The Electric Light and Power Fund accounts for all activities related to the billing, administration and distribution processes of the Village's electric and power operations.

The Swimming Pool Fund accounts for all activities related to administration and collection processes of the Village's swimming pool operations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are reimbursements between funds for direct costs applicable to the other fund. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Village's enterprise funds are charges to customers for sales and services. The Village also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

(d) Assets, liabilities and net assets or equity

Deposits and investments

The Village's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposits and short-term investments with original maturities of three months or less. All deposits and investments are reported at fair value.

The Village is authorized by state statute to invest in obligations of the United States of America, insured interest bearing accounts of banks, savings and loan associations or credit unions, certain short-term obligations of corporations organized in the United States, money market mutual funds that invest in obligations of the United States of America or its agencies or are guaranteed by the full faith and credit of the United States of America, the Illinois Funds and repurchase agreements of government securities. Investment income is recognized as earned.

Receivables and payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds" Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

VILLAGE OF FREEBURG, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Unbilled electric, water, and sewer utility receivables related to the business-type activities are recorded at year-end. They are determined by taking cycle billings subsequent to March 31 and prorating the applicable number of days to the current fiscal year.

The Village records accounts receivable in the Statement of Net Position for amounts that are due to the Village but have not been received at year-end. Accounts receivable are largely comprised of billed and unbilled amounts for utilities in the business-type activities. These balances are considered fully collectible at year-end.

Capital assets

Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects when constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Type of Property and Equipment</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	15 – 40 Years
Infrastructure	40 Years
Swimming Pool	20 Years
Distribution and Collection Systems	15 - 50 Years
Vehicles and Equipment	5 - 10 Years

VILLAGE OF FREEBURG, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Compensated absences

Sick leave is accrued for all employees at the rate of 1 day per month. On January 1st of the year an employee celebrates their fifth year employment anniversary, and all years thereafter, employees shall be granted twelve sick days. Sick leave can be carried forward, but not to exceed 65 work days. All full-time employees of the Village who have been employed for at least one (1) full year shall become eligible for vacation as indicated by the following table:

<u>Service</u>	<u>Vacation Allowed</u>
Having Completed 1 Year	5 Working Days
2-8 Years Continuous	10 Working Days
9-17 Years Continuous	15 Working Days
18 or More Years Continuous	20 Working Days
	1 day for each year over 18 years of service

An employee separated from the service of the Village shall be compensated for all unused vacation leave accumulated prior to his/her effective date of separation but not for accumulated sick leave. Any liability at March 31, 2018 is immaterial.

Long-term obligations

In the government-wide financial statements and enterprise fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position.

Fund balances

In the fund financial statements, the Village classifies the governmental fund balances based upon the following criteria:

Nonspendable – includes amounts that cannot be spent because they are either 1) not in spendable form, or 2) legally or contractually required to remain intact.

Restricted – balances with constraints that are either externally imposed by creditors or imposed by law through constitutional provisions or enabling legislation.

Committed – balances that are to be only used for specific purposes pursuant to constraints imposed by formal action of the Village Board, the highest level of decision-making authority.

Assigned – balances that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed.

Unassigned – the residual classification of the General Fund balance.

VILLAGE OF FREEBURG, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

The following details the description and amount of all constraints recorded by the Village in the fund financial statements:

<u>Governmental Funds</u>	
Restricted:	
Tax Increment Financing District	\$ 466,466
Motor Fuel Tax Fund	285,909
Impact Fees Fund	<u>28,708</u>
Total Restricted	<u>\$ 781,083</u>
Committed:	
Internal Service Fund	<u>\$ 95,445</u>

When expenditures are incurred for which the Village has both restricted and unrestricted funds available, the Village spends any restricted funds before using unrestricted sources. Likewise, the Village uses committed, assigned and then unassigned balances, in that order, when spending amounts for which all three categories are available.

(e) Budgetary Control

Budgets are adopted on a basis consistent with the modified cash basis of accounting. Annual appropriated budgets are adopted for all governmental funds. All annual appropriations lapse at fiscal year-end.

On March 20, 2017 the Village Board approved an ordinance adopting the appropriations which is the budgetary data reflected in these financial statements. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.

(f) Risk Management

The Village is exposed to various risks of loss related to torts; thefts of, damage to and destruction of assets; errors and omissions and natural disasters for which the Village carries commercial insurance. There have been no significant reductions in coverage from the prior year and settlements have not exceeded coverages in the past three years.

(g) Estimates

The Village uses estimates and assumptions in preparing these financial statements in accordance with accounting principles generally accepted in the United States of America. These estimates and assumptions affect the reported amounts of assets and liabilities and the reported revenues and expenditures. Actual results could vary from estimates that were used.

VILLAGE OF FREEBURG, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 2: CASH AND CASH EQUIVALENTS AND INVESTMENTS

At March 31, 2018, the carrying amount of the Village's deposits was \$5,160,467 and the bank balance was \$5,226,783. The deposits were comprised of checking, interest checking, money market funds and certificates of deposit.

Custodial Credit Risk. Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. As of March 31, 2018, all cash deposit balances in excess of FDIC insurance were collateralized with investments by the financial institution.

Interest Rate Risk. The Village's investment policy limits investment maturities in order to maintain sufficient liquidity to reflect the cash flow needs of the fund type being invested. The Village only maintains investments in the Illinois Funds, which is an external investment pool.

The Illinois Funds are pooled investments that are operated by the State of Illinois as a not-for-profit common law trust and are not registered with the SEC. The funds are monitored regularly through the State by internal and external audits. The goals of the funds are to provide liquidity and to maintain balances that are equal to the par value of the invested shares with no loss to market fluctuations. The fair value of the Village's position in the pool is the same as the value of the pool shares.

At March 31, 2018, the Village had the following investments:

<u>Investment</u>	<u>Weighted Average Maturity (Days)</u>	<u>Fair Value</u>
The Illinois Funds (external investment pool)	Daily	\$ 210,578
Petty Cash		615
Deposits as reported above		<u>5,160,467</u>
Total deposits and investments		<u>\$ 5,371,660</u>
As Reported in the Statement of Net Position:		
Cash and Cash Equivalents		\$ 3,029,727
Investments		<u>2,341,933</u>
		<u>\$ 5,371,660</u>

Credit Risk. As of March 31, 2018, the credit rating of the Village's investment was as follows:

<u>Investment</u>	<u>Standard & Poor's Rating</u>	<u>Moody's Investors Service Rating</u>
The Illinois Funds (external investment pool)	AAAm	--

Concentration of Credit Risk. As of March 31, 2018, the Village did not have a concentration of credit risk.

Foreign Currency Risk. As of March 31, 2018, the Village has no foreign currency risk.

VILLAGE OF FREEBURG, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 3: PROPERTY TAXES

The Village's property tax is levied each year on all taxable real property located in the Village on or before the second Tuesday in December. The Board passed the levy on December 4, 2017. Property taxes attach as an enforceable lien on property as of January 1 and are payable in two installments. The County had not mailed tax bills as of March 31, 2018. Past mailing practices of the County have been subsequent to March 31 of each year. The Village begins to receive significant distributions of tax receipts in June and July after the bills are mailed by the County. The Village budgets and records property tax revenue in the year the property taxes are received.

The following are the tax rates applicable to the various levies per \$100 of assessed valuation:

	Maximum Levy	<u>2017</u>	<u>2016</u>	<u>2015</u>
<u>Tax Rates:</u>				
General	\$ 0.2500	\$ 0.2097	\$ 0.2009	\$ 0.1967
Bonds and Interest	None	0.0607	0.0657	0.0695
IMRF	None	0.1981	0.1963	0.1849
Police Protection	0.0750	0.0699	0.0704	0.0729
Audit	None	0.0100	0.0100	0.0104
Civil Defense (ESDA)	0.0500	<u>0.0100</u>	<u>0.0042</u>	<u>0.0031</u>
Total		<u>\$ 0.5584</u>	<u>\$ 0.5475</u>	<u>\$ 0.5375</u>
Assessed Valuations		<u>\$ 85,854,730</u>	<u>\$ 84,623,062</u>	<u>\$ 81,631,984</u>
<u>Tax Extensions:</u>				
General		\$ 180,037	\$ 170,008	\$ 160,570
Bonds and Interest		52,114	55,597	56,734
IMRF		170,078	166,115	150,938
Police Protection		60,012	59,575	59,510
Audit		8,586	8,462	8,490
Civil Defense (ESDA)		<u>8,586</u>	<u>3,554</u>	<u>2,530</u>
Total		<u>\$ 479,413</u>	<u>\$ 463,311</u>	<u>\$ 438,772</u>
Tax Collections		<u>\$ -</u>	<u>\$ 463,961</u>	<u>\$ 438,346</u>
Percent Collected		<u>0.00%</u>	<u>100.14%</u>	<u>99.90%</u>

VILLAGE OF FREEBURG, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended March 31, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<u>Governmental activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 83,840	\$ -	\$ -	\$ 83,840
Capital assets, being depreciated:				
Buildings and improvements	657,805	-	-	657,805
Infrastructure	593,847	5,175	-	599,022
Vehicles and equipment	<u>870,201</u>	<u>108,123</u>	<u>50,566</u>	<u>927,758</u>
Total capital assets being depreciated	<u>2,121,853</u>	<u>113,298</u>	<u>50,566</u>	<u>2,184,585</u>
Less accumulated depreciation for:				
Building and improvements	356,448	23,829	-	380,277
Infrastructure	64,245	15,533	-	79,778
Vehicles and equipment	<u>597,948</u>	<u>89,837</u>	<u>50,566</u>	<u>637,219</u>
Total accumulated depreciation	<u>1,018,641</u>	<u>129,199</u>	<u>50,566</u>	<u>1,097,274</u>
Total capital assets, being depreciated, net	<u>1,103,212</u>	<u>(15,901)</u>	<u>-</u>	<u>1,087,311</u>
Governmental activities capital assets, net	<u>\$ 1,187,052</u>	<u>\$ (15,901)</u>	<u>\$ -</u>	<u>\$ 1,171,151</u>
<u>Business-type activities:</u>				
Capital assets, not being depreciated:				
Land	\$ 426,700	\$ -	\$ -	\$ 426,700
Capital assets, being depreciated:				
Buildings and improvements	7,365,738	44,439	-	7,410,177
Swimming pool	1,099,984	-	-	1,099,984
Distribution and collection system	15,090,199	251,139	6,625	15,334,713
Vehicles and equipment	<u>2,474,523</u>	<u>214,775</u>	<u>33,512</u>	<u>2,655,786</u>
Total capital assets, being depreciated	<u>26,030,444</u>	<u>510,353</u>	<u>40,137</u>	<u>26,500,660</u>
Less accumulated depreciation for:				
Buildings and improvements	4,739,974	212,070	-	4,952,044
Swimming pool	355,798	50,876	-	406,674
Distribution and collection system	8,559,866	608,569	6,625	9,161,810
Vehicles and equipment	<u>1,603,403</u>	<u>201,754</u>	<u>33,512</u>	<u>1,771,645</u>
Total accumulated depreciation	<u>15,259,041</u>	<u>1,073,269</u>	<u>40,137</u>	<u>16,292,173</u>
Total capital assets, being depreciated, net	<u>10,771,403</u>	<u>(562,916)</u>	<u>-</u>	<u>10,208,487</u>
Business-type activities capital assets, net	<u>\$ 11,198,103</u>	<u>\$ (562,916)</u>	<u>\$ -</u>	<u>\$ 10,635,187</u>

VILLAGE OF FREEBURG, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 31,169
Public safety	52,376
Highways and streets	35,574
Sanitation	<u>10,080</u>
Total depreciation expense - governmental activities	<u>\$ 129,199</u>
Business-type activities:	
Electric light and power	\$ 653,418
Water	224,722
Sewer	122,117
Swimming pool	<u>73,012</u>
Total depreciation expense - business-type activities	<u>\$ 1,073,269</u>

NOTE 5: RETIREMENT FUND COMMITMENTS

(a) Illinois Municipal Retirement Fund

Plan Description. The Village's defined benefit pension plan for regular employees provides retirement and disability benefits, post retirement increases, and death benefits to plan members and beneficiaries. The Plan is affiliated with the Illinois Municipal Retirement Fund (IMRF), an agent multiple-employer plan. Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained on-line at www.imrf.org.

Funding Policy. As set by statute, members are required to contribute 4.50 percent of their annual covered salary. The statute requires employers to contribute the amount necessary, in addition to member contributions, to finance the retirement coverage of its own employees. The employer annual required contribution rate for calendar year 2017 was 10.27 percent. The employer also contributes for disability benefits, death benefits and supplemental retirement benefits, all of which are pooled at the IMRF level. Contribution rates for disability and death benefits are set by the IMRF Board of Trustees, while the supplemental retirement benefits rate is set by statute.

Covered Employees. The following types of employees comprise the membership of the plan.

Retirees and Beneficiaries	23
Inactive, non-Retired Members	10
Active Members	<u>28</u>
Total	<u>61</u>

VILLAGE OF FREEBURG, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Discount Rate. GASB Statement No. 68 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As long as assets are projected to be on hand in a future year, the assumed valuation discount rate is used. In years where assets are not projected to be sufficient to meet benefit payments, the use of a “risk-free” rate is required, as described in the following paragraph.

The *Single Discount Rate* (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.50%; the municipal bond rate is 3.31%; and the resulting single discount rate is 7.50%.

Actuarial Valuation Date	12/31/17
Measurement Date of the Net Pension Liability	12/31/17
Fiscal Year End	03/31/18
Development of the Single Discount Rate as of December 31, 2017	
Long-Term Expected Rate of Investment Return	7.50%
Long-Term Municipal Bond Rate	3.31%
Last year ending December 31 in the 2018 to 2117 projection period for which projected benefit payments are fully funded	2117
Resulting Single Discount Rate based on the above development	7.50%
Single Discount Rate calculated using December 31, 2016 Measurement Date	7.50%

The Long-Term Municipal Bond Rate is based on the Fidelity Index's "20 Year Municipal GO AA Index" as of December 29, 2017.

VILLAGE OF FREEBURG, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Actuarial Assumptions. The following are the actuarial assumptions used in the calculation of the net pension liability.

Actuarial Cost Method	Aggregate Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	Non-Taxing bodies: 10 year rolling period Taxing bodies: 26 year closed period. Early Retirement Incentive Plan liabilities: a period up to 10 years selected by the Employer upon adoption of ERI.
Asset Valuation Method	5-Year smoothed market; 20% corridor
Wage growth	3.50%
Price Inflation	2.75% - approximate; No explicit price inflation assumption is used in this valuation.
Salary Increases	3.75% to 14.5% including inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2014 valuation pursuant to an experience study of the period 2011-2013.
Mortality	For non-disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Blue Collar Health Annuitant Mortality Table with adjustments to match current IMRF experience. For disabled retirees, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Disabled Retirees Mortality Table applying the same adjustment that were applied for non-disabled lives. For active members, an IMRF specific mortality table was used with fully generational projection scale MP-2014 (base year 2012). The IMRF specific rates were developed from the RP-2014 Employee Mortality Table with adjustments to match current IMRF experience.

VILLAGE OF FREEBURG, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Net Pension Liability. The following is a summary of the Net Pension Liability as shown as a liability in the financial statements.

Total pension liability	
Service Cost	\$ 179,569
Interest on the Total Pension Liability	525,190
Changes of benefit terms	-
Difference between expected and actual experience of the Total Pension Liability	(251,274)
Changes of assumptions	(221,760)
Benefit payments, including refunds of employee contributions	<u>(340,069)</u>
Net change in total pension liability	\$ (108,344)
Total pension liability - beginning	<u>7,082,787</u>
Total pension liability - ending	<u>\$ 6,974,443</u>
Plan fiduciary net position	
Contributions - employer	\$ 174,004
Contributions - employee	76,243
Net investment income	1,093,030
Benefit payments, including refunds of employee contributions	(340,069)
Other (Net Transfer)	<u>(349,403)</u>
Net change in plan fiduciary net position	\$ 653,805
Plan fiduciary net position - beginning	<u>6,148,360</u>
Plan fiduciary net position - ending	<u>\$ 6,802,165</u>
Net pension liability/(asset)	<u>\$ 172,278</u>
Plan fiduciary net position as a percentage of the total pension liability	97.53%
Covered valuation payroll	\$ 1,694,296
Net pension liability as a percentage of covered valuation payroll	10.17%

VILLAGE OF FREEBURG, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

To report the sensitivity of the net pension liability to the selected discount rate, the following table displays the variation given a 1% increase or decrease.

	1% Decrease	Current Single Discount Rate Assumption	1% Increase
	<u>6.50%</u>	<u>7.50%</u>	<u>8.50%</u>
Total Pension Liability	\$ 7,833,790	\$ 6,974,443	\$ 6,262,536
Plan Fiduciary Net Position	<u>6,802,165</u>	<u>6,802,165</u>	<u>6,802,165</u>
Net Pension Liability/(Asset)	<u>\$ 1,031,625</u>	<u>\$ 172,278</u>	<u>\$ (539,629)</u>

Deferred Outflows and Deferred Inflows of Resources by Source to be recognized in Future Pension Expenses. The following tables display the amount of deferred inflows and outflows related to the net pension liability and the future periods that these deferrals will affect the financial statements.

	Deferred Outflows of <u>Resources</u>
Difference between expected and actual experience	\$ (189,311)
Changes in assumptions	(183,046)
Subsequent contributions to plan	37,050
Net difference between projected and actual earnings on pension plan investments	<u>(333,014)</u>
Total	<u>\$ (668,321)</u>

Year Ending <u>December 31,</u>	Net Deferred Outflows of <u>Resources</u>
2018	\$ (83,650)
2019	(120,700)
2020	(216,019)
2021	(221,158)
2022	<u>(26,794)</u>
	<u>\$ (668,321)</u>

(b) Social Security

All employees, including those qualifying for coverage under the Illinois Municipal Retirement Fund, are covered under Social Security. The Village paid \$123,816, the required contribution for the current fiscal year.

VILLAGE OF FREEBURG, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 6: LONG-TERM DEBT

The Village has the following long-term debt as of March 31, 2018.

Bonds Payable

\$550,000 General Obligation Bonds, Series 2011 dated July 20, 2011, due in annual installments of \$35,000 to \$50,000 through December 1, 2026; interest at 3.75% to 5.25%. The amount of bonds outstanding as of March 31, 2018 is \$380,000. These bonds are being retired by the Swimming Pool Fund.

\$4,780,000 General Obligation Refunding Bonds, Series 2012 dated September 13, 2012, due in annual installments of \$330,000 to \$395,000 through December 1, 2025; interest at 1.65% to 2.85%. The amount of bonds outstanding as of March 31, 2018 is \$2,885,000. These bonds are being retired by the Electric Light and Power Fund. This issue refunded Series 2005 Bonds.

\$1,950,000 General Obligation Refunding Bonds, Series 2014 dated April 29, 2014, due in semi-annual installments of \$155,000 to \$185,000 through November 1, 2025; interest at 1.55% to 3.30%. The amount of bonds outstanding as of March 31, 2018 is \$1,330,000. These bonds are being retired by the TIF Fund. This issue refunded Series 2005 Tax Increment Revenue Bonds.

Annual debt service requirements to maturity for bonds are as follows:

Year Ended March 31,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2019	\$ 155,000	\$ 34,622	\$ 365,000	\$ 86,857
2020	155,000	32,220	375,000	80,099
2021	160,000	29,352	390,000	71,900
2022	160,000	25,833	395,000	62,500
2023	165,000	21,752	405,000	52,179
2024-2027	<u>535,000</u>	<u>35,020</u>	<u>1,335,000</u>	<u>89,369</u>
	<u>\$ 1,330,000</u>	<u>\$ 178,799</u>	<u>\$ 3,265,000</u>	<u>\$ 442,904</u>

IEPA Loans

\$104,816 loan with the Illinois Environmental Protection Agency to be repaid with semiannual payments of \$3,568 through March 2019, including interest at 2.865%. The loan was used to assist the Water Fund in the construction of a waterline extension. The balance outstanding on March 31, 2018 is \$6,986.

\$479,822 loan with the Illinois Environmental Protection Agency to be repaid with semi-annual installments of \$15,765, including interest at 2.535%. The loan was used to assist in the construction of sanitary sewer lines and an excess flow clarifier at the West Sewage Treatment Plant. The balance outstanding as of March 31, 2018 is \$90,437.

VILLAGE OF FREEBURG, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

\$583,674 loan with the Illinois Environmental Protection Agency to be repaid with semi-annual installments of \$18,648, including interest at 2.925%. The loan was used to assist in the construction of sewer lines on North State Street. The balance outstanding as of March 31, 2018 is \$471,049.

\$1,085,569 loan with the Illinois Environmental Protection Agency to be repaid with semi-annual installments of \$33,757, including interest at 1.86%. The loan was used to assist in the construction of the North Trunk Extension/Deerfield Relief Sewer Project. The balance outstanding as of March 31, 2018 is \$1,052,697.

Annual debt service requirements to maturity for EPA Loans are as follows:

Year Ended March 31,	EPA Loans	
	Principal	Interest
2019	\$ 87,010	\$ 22,707
2020	106,028	30,312
2021	108,242	28,005
2022	78,964	25,847
2023	80,566	24,247
2024-2028	428,008	96,046
2029-2033	473,254	50,799
2034-2037	259,097	10,961
	<u>\$ 1,621,169</u>	<u>\$ 288,924</u>

Notes Payable

\$225,618 loan with Citizens Community Bank to be repaid with annual payments of \$36,464 through July 2020, including interest at 3.182%. The loan was used to purchase a Bucket/Pole Truck for the Electric Light and Power Fund. The balance outstanding as of March 31, 2018 is \$102,817.

\$67,000 loan with Midland States Bank to be repaid with annual payments of \$17,934 through October 2020, including interest at 2.75%. The loan was used to purchase a Leaf Vacuum for the General Fund. The balance outstanding as of March 31, 2018 is \$50,934.

\$76,741 loan with Citizens Community Bank to be repaid in two annual payments of \$39,955, including interest at 2.74%. The loan was used to purchase three vehicles to be used in the water, sewer, and street departments. The balance outstanding as of March 31, 2018 is \$76,741.

VILLAGE OF FREEBURG, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Annual debt service requirements to maturity for notes payable are as follows:

Year Ended March 31,	Governmental		Business-type	
	Activities		Activities	
	Principal	Interest	Principal	Interest
2019	\$ 25,970	\$ 1,953	\$ 61,496	\$ 4,935
2020	26,703	1,230	63,389	3,075
2021	17,446	488	35,488	1,162
	<u>\$ 70,119</u>	<u>\$ 3,671</u>	<u>\$ 160,373</u>	<u>\$ 9,172</u>

Capital Leases

\$27,600 capital lease with John Deere to be paid in three annual payments of \$10,065, including interest at 4.50%. The loan was used to purchase three vehicles to be used in the water, sewer, and Street departments. The balance outstanding as of March 31, 2018 is \$27,600.

Annual debt service requirements to maturity for capital leases are as follows:

Year Ended March 31,	Governmental		Business-type	
	Activities		Activities	
	Principal	Interest	Principal	Interest
2019	\$ 3,518	\$ 508	\$ 5,278	\$ 761
2020	3,680	346	5,520	519
2021	3,702	177	5,902	265
	<u>\$ 10,900</u>	<u>\$ 1,031</u>	<u>\$ 16,700</u>	<u>\$ 1,545</u>

The following is a summary of changes in long-term debt for the year ended March 31, 2018.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<u>Business-type Activities:</u>					
Bonds Payable	\$ 3,630,000	\$ -	\$ 365,000	\$ 3,265,000	\$ 365,000
Capital Leases	-	16,700	-	16,700	5,278
Notes Payable	162,977	57,556	60,160	160,373	61,496
EPA Loans	1,208,883	506,673	94,387	1,621,169	87,010
Net Pension Liability	461,338	-	372,342	88,996	-
	<u>\$ 5,463,198</u>	<u>\$ 580,929</u>	<u>\$ 891,889</u>	<u>\$ 5,152,238</u>	<u>\$ 518,784</u>
<u>Governmental Activities:</u>					
Bonds Payable	\$ 1,480,000	\$ -	\$ 150,000	\$ 1,330,000	\$ 155,000
Capital Leases	-	13,800	2,900	10,900	3,518
Notes Payable	67,000	19,185	16,066	70,119	25,970
	<u>\$ 1,547,000</u>	<u>\$ 32,985</u>	<u>\$ 168,966</u>	<u>\$ 1,411,019</u>	<u>\$ 184,488</u>

VILLAGE OF FREEBURG, ILLINOIS
NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

NOTE 7: LEGAL DEBT MARGIN

The computation of legal debt margin at March 31, 2018 is as follows:

Bonded Debt Limit*	\$ 7,404,970
Bonded Indebtedness	<u>1,411,019</u>
Legal Debt Margin	<u>\$ 5,993,951</u>

- * The bonded indebtedness of the Village is limited by Chapter 65, Section 5/8-5-1 of the Illinois Compiled Statutes to 8.625% of the assessed valuation of taxable tangible property.

NOTE 8: INTERFUND TRANSFERS

The General Fund transferred \$74,031 to the Swimming Pool Fund in the year ended March 31, 2018.

NOTE 9: SUBSEQUENT EVENTS

The Village has evaluated events occurring after the financial statement date through September 17, 2018 in order to determine their potential for recognition or disclosure in the financial statements. The latter date is the same date the financial statements were available to be issued.

VILLAGE OF FREEBURG, ILLINOIS

REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MODIFIED CASH BASIS
GENERAL FUND
FOR THE YEAR ENDED MARCH 31, 2018

	Budgeted Amounts		Actual (Budget Basis)
	Original	Final	
Revenues:			
Property Tax	\$ 501,101	\$ 501,101	\$ 510,892
Replacement Tax	5,500	5,500	5,463
Sales Tax	390,000	390,000	413,303
State Income Tax	425,000	425,000	424,228
Local Use Tax	80,000	80,000	112,623
Telecommunications Tax	115,000	115,000	92,640
Video Gaming Tax	17,500	17,500	40,298
Franchise Tax	24,000	24,000	25,030
Utility Tax	245,000	245,000	254,645
Licenses and Permits	38,645	38,645	44,336
Fines and Penalties	19,500	19,500	12,120
Garbage Collection	246,800	246,800	254,218
Rental/Lease Income	5,200	5,200	-
Investment Earnings	3,000	3,000	6,331
Grants	28,000	28,000	-
Miscellaneous	68,160	68,160	84,288
Total Revenues	<u>2,212,406</u>	<u>2,212,406</u>	<u>2,280,415</u>
Expenditures:			
Current:			
General Government	256,754	256,754	217,888
Public Safety:			
Police	1,187,835	1,187,835	1,115,990
Civil Defense	5,050	5,050	5,500
Highways and Streets	428,593	428,593	392,837
Sanitation	228,500	228,500	226,810
Capital Outlay	119,700	119,700	80,313
Transfers	15,000	15,000	15,000
Total Expenditures	<u>2,241,432</u>	<u>2,241,432</u>	<u>2,075,172</u>
Net Change in Fund Balances	<u>\$ (29,026)</u>	<u>\$ (29,026)</u>	205,243
Change for modified cash basis reporting			
Cash Transfer Between Funds			<u>(59,031)</u>
As reported on the Statement of Revenues and Expenditures			
Arising From Modified Cash Basis Transactions			<u>\$ 146,212</u>

VILLAGE OF FREEBURG, ILLINOIS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
ILLINOIS MUNICIPAL RETIREMENT FUND
MARCH 31, 2018

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total Pension Liability:			
Service Cost	\$ 179,569	\$ 177,858	\$ 166,984
Interest	525,190	501,542	466,844
Difference between expected and actual experience	(251,274)	(44,602)	96,660
Assumption changes	(221,760)	(16,734)	16,488
Benefit payments, including refunds	<u>(340,069)</u>	<u>(302,922)</u>	<u>(240,854)</u>
Net change in total pension liability	(108,344)	315,142	506,122
Total pension liability - beginning	<u>7,082,787</u>	<u>6,767,645</u>	<u>6,261,523</u>
Total pension liability - ending	<u>\$ 6,974,443</u>	<u>\$ 7,082,787</u>	<u>\$ 6,767,645</u>
Plan Fiduciary Net Position			
Contributions - employer	174,004	177,706	186,321
Contributions - employee	76,243	76,818	77,063
Net investment income	1,093,030	390,015	28,944
Benefit payments, including refunds	(340,069)	(302,922)	(240,854)
Other	<u>(349,403)</u>	<u>60,649</u>	<u>(83,002)</u>
Net change in plan fiduciary net position	653,805	402,266	(31,528)
Plan fiduciary net position - beginning	<u>6,148,360</u>	<u>5,746,094</u>	<u>5,777,622</u>
Plan fiduciary net position - ending	<u>\$ 6,802,165</u>	<u>\$ 6,148,360</u>	<u>\$ 5,746,094</u>
Net Pension Liability	<u>\$ 172,278</u>	<u>\$ 934,427</u>	<u>\$ 1,021,551</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>97.53%</u>	<u>86.81%</u>	<u>84.91%</u>
Covered-employee Payroll	<u>\$ 1,694,296</u>	<u>\$ 1,707,064</u>	<u>\$ 1,712,505</u>
Net position liability as a percentage of covered-employee payroll	<u>10.17%</u>	<u>54.74%</u>	<u>59.65%</u>

VILLAGE OF FREEBURG, ILLINOIS

SCHEDULE OF CONTRIBUTIONS
ILLINOIS MUNICIPAL RETIREMENT FUND
MARCH 31, 2018

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarial Determined Contribution	\$ 174,004	\$ 177,705	\$ 186,321
Contributions in relation to actuarial determined contribution	<u>174,004</u>	<u>177,706</u>	<u>186,321</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ -</u>
Covered-employee Payroll	<u>1,694,296</u>	<u>1,707,064</u>	<u>1,712,505</u>
Contributions as a percentage of covered-employee payroll	<u>10.27%</u>	<u>10.41%</u>	<u>10.88%</u>

Actuarial valuation date for above is December 31, 2017.

The actuarial valuations presented are prepared using the following parameters:

Actuarial Cost Method:	Aggregate Entry Age Normal
Amortization Method:	Level Percentage of Payroll, Closed
Remaining Amortization Period:	26 years
Asset Valuation Method:	5-Year smoothed market; 20% corridor
Actuarial Assumptions:	
Interest Rate (current and prior)	7.50%
Wage Growth	3.50%
Price Inflation	2.75%

VILLAGE OF FREEBURG, ILLINOIS

COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS
MARCH 31, 2018

	<u>Impact Fees</u>	<u>Motor Fuel Tax</u>	<u>TIF</u>	<u>Total</u>
<u>Assets</u>				
Cash and Cash Equivalents	\$ 7,716	\$ 160,584	\$ 466,466	\$ 634,766
Investments	20,992	125,325	-	146,317
Total Assets	<u>\$ 28,708</u>	<u>\$ 285,909</u>	<u>\$ 466,466</u>	<u>\$ 781,083</u>
 <u>Liabilities and Fund Balance</u>				
Liabilities:				
None	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance:				
Restricted	28,708	285,909	466,466	781,083
Total Fund Balance	<u>28,708</u>	<u>285,909</u>	<u>466,466</u>	<u>781,083</u>
Total Liabilities and Fund Balance	<u>\$ 28,708</u>	<u>\$ 285,909</u>	<u>\$ 466,466</u>	<u>\$ 781,083</u>

VILLAGE OF FREEBURG, ILLINOIS

COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
NONMAJOR SPECIAL REVENUE GOVERNMENTAL FUNDS
FOR THE YEAR ENDED MARCH 31, 2018

	Impact Fees	Motor Fuel Tax	TIF	Total
Revenues:				
Property Tax	\$ -	\$ -	\$ 230,388	\$ 230,388
Motor Fuel Tax	-	110,259	-	110,259
Investment Income	330	4,338	874	5,542
Total Revenues	<u>330</u>	<u>114,597</u>	<u>231,262</u>	<u>346,189</u>
Expenditures:				
Current:				
Highways and Streets	-	91,963	-	91,963
Development	-	-	11,361	11,361
Debt Service:				
Principal	-	-	150,000	150,000
Interest and Fees	-	-	36,825	36,825
Total Expenditures	<u>-</u>	<u>91,963</u>	<u>198,186</u>	<u>290,149</u>
Excess of Revenues Over Expenditures	<u>330</u>	<u>22,634</u>	<u>33,076</u>	<u>56,040</u>
Fund Balance, Beginning of Year	<u>28,378</u>	<u>263,275</u>	<u>433,390</u>	<u>725,043</u>
Fund Balance, End of Year	<u>\$ 28,708</u>	<u>\$ 285,909</u>	<u>\$ 466,466</u>	<u>\$ 781,083</u>

INDEPENDENT AUDITOR'S REPORT ON
COMPLIANCE WITH TAX INCREMENT FINANCING ACT

To the Honorable Mayor and Board
of Trustees of the Village of
Freeburg, Illinois

Report on the Financial Statements

We have audited the accompanying financial statements of the Village of Freeburg, Illinois as of and for the year ended March 31, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1; this includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash balances of the Village of Freeburg, Illinois' Tax Increment Financing District, as referred to in the first paragraph, as of March 31, 2018 and the revenues it received and expenditures it paid for the year then ended on the basis of accounting described in Note 1.

Other Matters

The management of the Village of Freeburg, Illinois is responsible for the government's compliance with laws and regulations. In connection with our audit, referred to above, we selected and tested transactions and records to determine the government's compliance with 65 ILCS 5/11-74.4-3, "Tax Increment Allocation Redevelopment Act".

The results of our tests indicate that for the items tested, the Village of Freeburg, Illinois, complied with Subsection (q) of 65 ILCS 5/11-74.4-3, "Tax Increment Allocation Redevelopment Act". Nothing came to our attention that caused us to believe that, for the items not tested, the Village of Freeburg, Illinois was not in compliance with Subsection (q) of 65 ILCS 5/11-74.4-3, "Tax Increment Allocation Redevelopment Act".

C. J. Schloer / Cjg LLC

Certified Public Accountants
Alton, Illinois

September 17, 2018